

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL MEMORANDUM**

**HB 2371 – SB 2233**

February 6, 2012

**SUMMARY OF AMENDMENTS (012109, 012661):** Authorizes the Commissioner of Revenue to require documents or payments filed with the Department of Revenue (DOR) to be submitted in an electronic format. Authorizes the Commissioner to waive this requirement when it imposes a hardship upon a taxpayer. Authorizes the Commissioner to collect a manual handling fee, not to exceed \$25, nor \$50 in any 12-month period from any one taxpayer, thereby permitting such taxpayer to file certain documents in paper form, for the cost of preparing, printing, receiving, reviewing and processing paper filings so permitted. Requires DOR to notify each taxpayer that the cumulative total of all manual handling fees shall not exceed \$50 for all such filings in any 12-month period. Requires DOR to include such notice in any regularly scheduled communication between the Department and the taxpayer. Authorizes the Commissioner to assess penalties, subject to waiver, not to exceed \$500, rather than \$500, to any taxpayer required to file tax returns by electronic means when the taxpayer files such returns by other means. Establishes record-keeping requirements for certain wholesalers and other dealers making sales for resale for the purpose of administration and enforcement of this bill. Authorizes the Commissioner to change the tax period corresponding to a taxpayer's fiscal year, and to change the due date of a taxpayer's business tax return under certain circumstances. Authorizes that certain information currently required in physical form or on microfiche to be submitted digitally.

**FISCAL IMPACT OF ORIGINAL BILL:**

Increase State Revenue –

\$43,700/FY12-13/Department of Revenue  
\$109,300/FY13-14/Department of Revenue  
\$174,900/FY14-15/Department of Revenue  
\$437,400/FY15-16 and Subsequent Years/Department of Revenue  
\$1,500,000/Recurring/General Fund

Decrease State Expenditures – Net Impact –

\$436,800/FY12-13  
\$638,000/FY13-14  
\$1,000,600/FY14-15  
\$2,147,200/FY15-16  
\$2,552,100/FY16-17 and Subsequent Years

Increase Local Revenue - \$857,100

**HB 2371 – SB 2233 (CORRECTED)**

According to the Department of Finance and Administration, the Division of Budget, this bill will be included in the Governor's Recommended Budget for FY12-13 reflecting a net decrease in state expenditures of \$436,800 and an increase in state revenue of \$1,543,700.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:**

On February 1, 2012, a fiscal memorandum was issued estimating a fiscal impact as follows:

*Increase State Revenue –*

*\$109,300/FY13-14/Department of Revenue  
\$174,900/FY14-15/Department of Revenue  
\$437,400/FY15-16 and Subsequent Years/Department of Revenue  
\$1,500,000/Recurring/General Fund*

*Decrease State Expenditures – Net Impact –*

*\$436,800/FY12-13  
\$638,000/FY13-14  
\$1,000,600/FY14-15  
\$2,147,200/FY15-16  
\$2,552,100/FY16-17 and Subsequent Years*

*Increase Local Revenue - \$857,100*

*According to the Department of Finance and Administration, the Division of Budget, the Governor's proposed budget for FY12-13 reflects a net decrease in state expenditures of \$436,800 and an increase in state revenue of \$1,500,000.*

Due to incomplete information, this impact was in error. Based on additional information provided by the Department of Revenue, the estimated impact is:

**(CORRECTED)**

**Increase State Revenue –**

**\$54,600/FY13-14/Department of Revenue  
\$87,500/FY14-15/Department of Revenue  
\$218,700/FY15-16 and Subsequent Years/Department of Revenue  
\$1,500,000/Recurring/General Fund**

**Decrease State Expenditures – Net Impact –**

**\$436,800/FY12-13  
\$638,000/FY13-14  
\$1,000,600/FY14-15  
\$2,147,200/FY15-16  
\$2,552,100/FY16-17 and Subsequent Years**

## **Increase Local Revenue - \$857,100**

**According to the Department of Finance and Administration, the Division of Budget, the Governor's proposed budget for FY12-13 reflects a net decrease in state expenditures of \$436,800 and an increase in state revenue of \$1,500,000.**

Assumptions applied to amendments:

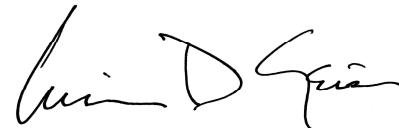
- According to DOR, any change to fine revenue as a result of discretion provided the Commissioner to assess a fine less than \$500 is estimated to be not significant.
- DOR indicates that requiring all tax returns to be filed electronically will occur over a four-year period.
- DOR indicates, based on tax return data, that departmental fee revenue will increase as a result of some taxpayers continuing to file tax returns via non-electronic means. The Department has indicated that while the number of total taxpayers filing via non-electronic means will decrease as a result of this bill, manual filing fee revenue received over the initial four-year period will increase because the Department plans to phase in such fee charges. DOR has indicated that the Department will not assess or collect any manual filing fees during FY12-13. However, the Department will begin assessing and collecting such fees, up to a maximum of \$50 within any 12-month period, beginning in FY13-14. As a result, the increase in state revenue derived from fees is estimated to be \$54,600 in FY13-14; \$87,500 in FY14-15; and \$218,700 in FY15-16 and subsequent years.
- DOR indicates there will be a reduction in recurring state expenditures related to printing and mailing tax returns. Based on the information provided by the Department, this recurring decrease in state expenditures will be approximately \$919,500 when fully implemented. However, these expenditure reductions will occur over the four-year period. The Department has indicated first-year (FY12-13) expenditure reductions of \$331,000, submitted as part of the Department's savings opportunities in the FY12-13 Base Budget Reduction Plan. There will be no additional expenditure reductions in FY13-14, therefore, total expenditure reductions remain at \$331,000. Total expenditure reductions for FY14-15 are estimated to be \$448,700; and total expenditure reductions for FY15-16 and subsequent years are estimated to be \$919,500.
- DOR estimates a 33 percent reduction in processing staff needs, which is the equivalent of 40 positions with recurring costs of \$1,632,600. However, these 40 positions will be eliminated over the four-year period. The Department has indicated first-year (FY12-13) expenditure reductions of \$163,300 associated with the elimination of four positions. Six additional positions will be eliminated in FY13-14, with total savings estimated to be \$408,200. Six additional positions will be eliminated in FY14-15, with total savings estimated to be \$653,100. Twenty-four additional positions will be eliminated in FY15-16, with total savings estimated to be \$1,632,600. These expenditure reductions become recurring beginning in FY15-16.
- As it applies to expenditure reductions for printing, mailing, and positions, the total recurring decrease in state expenditures is estimated to be \$2,552,100 when fully implemented. The decrease in state expenditures for FY12-13 is estimated to be

\$494,300 (\$331,000 + \$163,300); for FY13-14 is estimated to be \$739,200 (\$331,000 + \$408,200); for FY14-15 is estimated to be \$1,101,800 (\$448,700 + \$653,100); and for FY15-16 and subsequent years is estimated to be \$2,552,100 (\$919,500 + \$1,632,600).

- The above state expenditure reductions will be offset by one-time state expenditures associated with computer and software modifications and form changes. The total one-time state expenditures to occur over the four-year period are estimated to be \$664,800. DOR indicates these costs will be incurred as follows: \$57,500 in FY12-13; \$101,200 in FY13-14; \$101,200 in FY14-15; and \$404,900 in FY15-16.
- The total net decrease in state expenditures for FY12-13 is estimated to be \$436,800 (\$494,300 - \$57,500); for FY13-14 is estimated to be \$638,000 (\$739,200 - \$101,200); for FY14-15 is estimated to be \$1,000,600 (\$1,101,800 - \$101,200); for FY15-16 is estimated to be \$2,147,200 (\$2,552,100 - \$404,900); and for FY16-17 and subsequent years is estimated to be \$2,552,100.
- DOR indicates that taxpayer compliance will increase as a result of this bill. Based on information provided by the Department, there will be recurring increases in collections for state and local sales tax, franchise and excise tax, and business tax. The recurring increases to state and local sales tax collections are estimated to be \$1,000,000 and \$357,100 respectively. The recurring increase to franchise and excise tax collections is estimated to be \$100,000, and the recurring increase to business tax collections is estimated to be \$900,000 (with \$400,000 apportioned to the state and \$500,000 apportioned to local governments). The total recurring increase in state revenue to the general fund is estimated to be \$1,500,000 (\$1,000,000 + \$100,000 + \$400,000). The total recurring increase in local government revenue is estimated to be \$857,100 (\$357,100 + \$500,000).

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/rnc